

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

FROM: BEVERLY BARKER

DATE: AUGUST 15, 2003

RE: VERIZON REPORT & REQUEST FOR CONTINUING WAIVER
CASE NO. VZN-T-01-8

Verizon's billing system cannot accommodate customers' request to allocate partial payments in a way that differs from its automatic processes. This inability to manually allocate payments as directed by customers causes Verizon to be out of compliance with Rules 306.06 and 312.03 of the Telephone Customer Relations Rules (TCRR). In June 2001, Verizon requested a temporary exemption from the rules, stating that the Company was considering modifying or replacing its billing system and did not find it cost-effective or advisable to modify its current system. In Order No. 28857, Case No. VZN-T-01-8, the Commission granted Verizon's request, giving the Company a two-year exemption, which expires on September 19, 2003. The Company was further ordered to report back to the Commission on its progress towards being able to comply with the TCRR.

Staff and Company began discussions earlier this summer regarding this issue. Staff reviewed complaints it had received from Verizon's customers since September 2001. During this period, the Commission had received no complaints specifically about allocation of payments, but a few complaints touched on the issue tangentially. Verizon agreed to modify its automatic allocation system so that partial payments will first be applied to all amounts due for local exchange service. This modification will guarantee that customers will not lose local exchange service as long as a customer's payment is sufficient to cover charges for that service. Based on Staff's review of complaints, the system modification, coupled with procedures in

place to address customers' billing disputes and payment allocation issues, will be an adequate interim solution to the company's billing system problem. However, Staff continues to believe that allowing customers to direct how their payments will be allocated as required by the Commission's rules is the best course of action.

On August 5, 2003, the Commission received a letter from the Company (attached) indicating that Verizon "has put any major system modifications on hold". The Company maintains that making the necessary changes to the existing billing system to allow for customer-directed payment allocation remains cost-prohibitive. Therefore, the Company requests that the waiver continue to remain in place indefinitely until such time as the Company undertakes a major upgrade of its billing system.

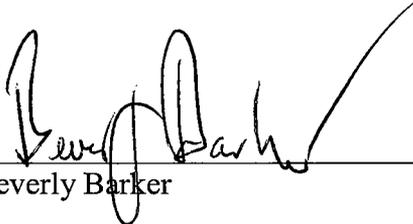
STAFF RECOMMENDATION

Staff recommends that the Company be granted a continuing exemption from Rules 306.06 and 312.03 until such time as the Company either replaces its current billing system or undertakes major modifications of its billing system. Staff also recommends that the Company be required to file a report with the Commission regarding the status of its billing system if the Company has not made such changes by September 19, 2006.

COMMISSION DECISION

Does the Commission wish to grant Verizon's request for a continuation of its exemption from Rules 306.06 and 321.03 until such time as the Company either replaces its current billing system or undertakes major modifications of its billing system?

Does the Commission wish to require Verizon to file a report with the Commission regarding the status of its billing system if the Company has not made such changes by September 19, 2006?



Beverly Barker

udmemos/Verizon exemption

Verizon

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UTILITIES COMMISSION



17933 N.W. Evergreen Pkwy
P.O. Box 1100
Beaverton, OR 97076

August 5, 2003

Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, Idaho

RE: VZN-T-01-8

Dear Ms. Jewell,

The Idaho Commission granted Verizon a waiver from the Commission's partial payment application rules in Docket VZN-T-01-8. Order 28857 directs Verizon to advise the Commission on its progress towards meeting the requirements of the rules (IDAPA 31.41.01 306.06 and 312.03) no later than September 19, 2003.

Verizon had advised Staff in 2001 that the company was in the process of reviewing its billing system and may decide to upgrade the billing system as a result of the GTE/Bell Atlantic Merger. As a result of the downturn in the telecommunications industry, the Company has put any major system modifications on hold.

Verizon estimates that it would cost the company in excess of \$2 Million to modify the current billing system to allow the company to manually apply partial payments to specific services or billing buckets as directed by the customer. Many systems and processes would need to be adjusted. A detailed description of needed system changes was provided to Staff in April.

In order to avoid customer complaints and to meet the spirit of the rule, which is to protect local service, Verizon changed its payment allocation method to Option 7 effective May 1, 2003. Payments are now allocated to past-due basic and current basic before moving to the other service buckets instead of the old Option 6 that allocated payments to past due basic and didn't pick up current basic until all past due buckets were paid.

In addition, Verizon complies with IPUC Customer Relations rules 205 and 401(2) that require the company to remove disputed charges from a customer's bill within two billing cycles. This will further protect basic service for disputed charges.

To the company's knowledge, there have been no new complaints that can be directly attributed to Verizon not being able to manually direct partial payments per the customer's request. The Company has been able to resolve any customer issues by changing the payment allocation method, recouping or crediting unauthorized charges and extending payment arrangements when necessary.

Verizon respectfully requests that the waiver continue to remain in place for an indefinite period of time. Should the Company undertake a major upgrade of the billing system that could incorporate the systems changes necessary to be in compliance with the Idaho Commission's partial payment rules, the Company will notify Staff and the Commission. Please feel free to contact me at (503) 645-7909 if you have any questions.

Sincerely,



Renee Willer
Authorized Representative for
Verizon Northwest Inc.

c: Beverly Barker
Director – IPUC Consumer Assistance